

Audit Committee Performance Evaluation

The following Deloitte & Touche LLP ("Deloitte & Touche") questionnaire can be used to assist in the self-assessment of an audit committees' performance. The questionnaire is based on emerging practices identified through our review of public remarks and publications of organizations including the Securities and Exchange Commission, the American Institute of Certified Public Accountants, the National Association of Corporate Directors, and Financial Executives International. Emerging practices were also identified from the marketplace observations of our client service professionals.

The performance evaluation process for audit committees has many facets, and

audit committee members are encouraged to consider other resources, including the Deloitte & Touche Audit Committee Checklist for New Sarbanes-Oxley and NYSE and NASDAQ Listing Requirements, the Deloitte & Touche Financial Literacy Self-Assessment Tools, and The AICPA Audit Committee Toolkit.

When completing the performance evaluation, the following process may be employed:

1. Select a coordinator and establish a timeline for the evaluation process.
2. Audit committee members should complete the form as a self-

evaluation. The audit committee should also identify those individuals who interact with the audit committee members and who can provide feedback.

3. Select the appropriate rating that most closely reflects the audit committee's performance related to each practice.
4. Provide completed evaluations to the evaluation coordinator for consolidation into a summarized document.

For each of the following statements, select a number between 1 and 5, with 1 indicating that you strongly disagree, and 5 indicating that you strongly agree with the statement. Select 0 if you do not have enough knowledge or information to rank the organization's audit committee on a particular statement.

Circle one number for each statement		Insufficient knowledge	Strongly disagree		Neither agree nor disagree	Strongly agree
Composition & Quality						
1.	Potential audit committee members are identified with explicit consideration being given to the candidate's qualifications for serving on the audit committee.	0	1	2	3	4 5
2.	Sources acting independent of management (e.g. independent board members assisted by an outside search firm) have been utilized to identify qualified audit committee members.	0	1	2	3	4 5
3.	Audit committee members have the appropriate qualifications to meet the objectives of the audit committee's charter, including appropriate financial literacy.	0	1	2	3	4 5
4.	Audit committee members have differing perspectives due to a diversity of experiences and backgrounds.	0	1	2	3	4 5
5.	The audit committee demonstrates integrity, credibility, trustworthiness, willingness to actively participate, ability to constructively handle conflict, interpersonal skills, and proactiveness.	0	1	2	3	4 5
6.	The audit committee demonstrates appropriate industry knowledge.	0	1	2	3	4 5
7.	Members of the audit committee meet all applicable independence requirements.	0	1	2	3	4 5
8.	The audit committee reviews its charter annually to determine whether its responsibilities are adequately described and recommends any changes to the board for approval.	0	1	2	3	4 5
9.	The audit committee monitors compliance with corporate governance regulations and guidelines.	0	1	2	3	4 5
10.	The audit committee has participated in a continuing education program to enhance its members' understanding of relevant auditing, accounting, regulatory, and industry issues.	0	1	2	3	4 5

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11.	New audit committee members are provided with an orientation program to educate them on the company, their responsibilities, and the company's financial reporting and accounting practices.	0	1	2	3	4 5
12.	The leadership of the audit committee chair is effective.	0	1	2	3	4 5
13.	The audit committee, in conjunction with the nominating committee (or its equivalent) as appropriate, creates a succession/rotation plan for audit committee members, including the audit committee chair.	0	1	2	3	4 5
Understanding the Business, Including Risks						
14.	The audit committee considers the pressures on management that may impact the quality of financial reporting (e.g. earnings targets, compensation plans, and performance measures).	0	1	2	3	4 5
15.	The audit committee considers the significant risks faced by the company. Examples include (but are not limited to): <ul style="list-style-type: none"> Regulatory and legal requirements Concentrations (e.g. suppliers and customers) Market and competitive trends Financing/liquidity needs Financial exposures Business continuity Company reputation Financial strategy execution 	0	1	2	3	4 5
16.	The audit committee understands and approves the process implemented by management to effectively identify, assess, and respond to the organization's key risks.	0	1	2	3	4 5
17.	The audit committee understands and approves management's fraud risk assessment and has an understanding of identified fraud risks.	0	1	2	3	4 5
18.	Management provides the audit committee with reports that include benchmarking information (comparing the company's financial performance and ratios with industry competitors/peers) with explanations for areas that differ significantly.	0	1	2	3	4 5
Process & Procedures						
19.	The audit committee reports its proceedings and recommendations to the board after each committee meeting.	0	1	2	3	4 5
20.	The audit committee dedicates appropriate time and resources to execute its responsibilities.	0	1	2	3	4 5
21.	The audit committee participates in the development of a calendar to ensure that responsibilities are met.	0	1	2	3	4 5
22.	Audit committee members have the option to influence their meeting agendas in order to address emerging issues.	0	1	2	3	4 5
23.	Audit committee meetings are conducted in an effective manner, with time being spent primarily on significant issues.	0	1	2	3	4 5
24.	The audit committee chair encourages input on the meeting agenda from the committee, management, the internal auditor, the independent auditor, and the other board of directors.	0	1	2	3	4 5
25.	The audit committee sets clear expectations and provides feedback to the full board concerning the competency of the organization's CFO and	0	1	2	3	4 5

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senior financial management.						
26.	The audit committee has input into the succession planning process for the CFO.	0	1	2	3	4 5
27.	The agenda and related information (e.g. prior meeting minutes, press releases, financial statements, etc.) are circulated in advance of meetings to allow audit committee members sufficient time to study and understand the information.	0	1	2	3	4 5
28.	The written materials provided to audit committee members are appropriately balanced (i.e. relevant and concise).	0	1	2	3	4 5
29.	The audit committee meetings are held at least quarterly.	0	1	2	3	4 5
30.	The audit committee maintains adequate minutes of each meeting.	0	1	2	3	4 5
31.	The audit committee, together with the compensation committee, regularly reviews management incentive plans to consider whether the incentive process is appropriate.	0	1	2	3	4 5
32.	The audit committee meets periodically with the company's disclosure committee (committee responsible for reviewing the company's disclosure procedures).	0	1	2	3	4 5
33.	The audit committee respects the line between oversight and management of the financial reporting process.	0	1	2	3	4 5
34.	Audit committee members come to meetings well prepared.	0	1	2	3	4 5
Communications and Information						
35.	The level of openness between the audit committee and relevant parties (other board members, management, internal audit, and external audit) is appropriate.	0	1	2	3	4 5
36.	For matters that require specialized expertise, the audit committee engages external parties as appropriate.	0	1	2	3	4 5
37.	The audit committee receives and analyzes information from management on significant industry trends, analyst estimates and variations from budget.	0	1	2	3	4 5
38.	Audit committee members periodically visit company locations to conduct on-site meetings with key members of management.	0	1	2	3	4 5
Oversight of the Financial Reporting Process, Including Internal Controls						
39.	The audit committee considers the quality and appropriateness of financial accounting and reporting.	0	1	2	3	4 5
40.	The audit committee considers the transparency of disclosures.	0	1	2	3	4 5
41.	The audit committee reviews the company's significant accounting policies.	0	1	2	3	4 5
42.	The audit committee has a process for the review of significant issues prior to quarterly and annual earnings releases (e.g. with management and the independent auditors).	0	1	2	3	4 5
43.	The audit committee understands and approves the process used by management to identify and disclose related-party transactions.	0	1	2	3	4 5
44.	The audit committee has a process to review earnings releases (including pro forma or non-GAAP information, and other financial information or earnings guidance).	0	1	2	3	4 5

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45. The audit committee has a process to review 10-Q's, 10-K's (including management's discussion and analysis), proxies and other filings, as appropriate, before issuance and provides comments to management and independent auditors as applicable.	0	1	2	3	4 5
46. The audit committee reviews the processes related to financial statement certifications made by the CEO and CFO.	0	1	2	3	4 5
47. The audit committee receives sufficient information to assess and understand management's process to evaluate the organization's system of internal controls (e.g. financial reporting and disclosure controls, operation controls, and compliance controls).	0	1	2	3	4 5
48. The audit committee oversees the organization's external financial reporting and internal control over financial reporting.	0	1	2	3	4 5
49. The audit committee understands and gives appropriate consideration to the internal control testing conducted by management, the internal auditors, and independent auditors to assess the process of detecting internal control issues or fraud.	0	1	2	3	4 5
50. The audit committee believes that management's scope of internal control testing adequately supports its internal control assessment (as required by Section 404 of the Sarbanes-Oxley Act).	0	1	2	3	4 5
51. If management's assessment of internal controls resulted in the identification of significant deficiencies or material weaknesses, plans to address these issues are reviewed, evaluated and monitored by the audit committee.	0	1	2	3	4 5
52. The audit committee makes inquiries of the appropriate parties (independent auditor, internal auditor and management) on the depth of experience and sufficiency of the company's accounting and finance staff.	0	1	2	3	4 5
53. The audit committee reviews the management recommendation letters written by the auditors (external and internal) and monitors the process to determine that all significant matters raised are addressed.	0	1	2	3	4 5
54. The audit committee ensures that management takes action to achieve resolution when there are instances of repeat comments from auditors, particularly for those related to internal controls.	0	1	2	3	4 5
55. Adjustments to the financial statements that resulted from the audit process are reviewed by the audit committee, regardless of whether they were recorded by management.	0	1	2	3	4 5
56. The audit committee is consulted when management is seeking a second opinion on an accounting or auditing matter.	0	1	2	3	4 5
Oversight of Audit Functions					
57. The audit committee understands the coordination of work between the auditors (external and internal).	0	1	2	3	4 5
58. The audit committee regularly reviews the adequacy of the internal audit function (e.g. the charter, audit plan, budget, compliance, and number, quality and continuity of staff).	0	1	2	3	4 5
59. The audit committee oversees the role of the internal audit director from selection to termination (e.g. appointment, evaluation, compensation and retention).	0	1	2	3	4 5
60. The audit committee provides feedback to the internal audit director at least annually.	0	1	2	3	4 5

Circle one number for each statement		Insufficient knowledge	Strongly disagree		Neither agree nor disagree	Strongly agree
61.	The internal audit reporting lines established with the audit committee promote an atmosphere where significant issues that might involve management will be brought to the attention of the audit committee.	0	1	2	3	4 5
62.	The audit committee appropriately considers internal audit reports, management's responses, and improvement actions.	0	1	2	3	4 5
63.	The audit committee oversees the role of the independent auditors from selection to termination (e.g. appointment, oversight, evaluation, retention, and pre-approval of services).	0	1	2	3	4 5
64.	The audit committee considers the external audit plan and provides recommendations as appropriate.	0	1	2	3	4 5
65.	The audit committee reviews the appropriateness of the audit fees paid to the independent auditor.	0	1	2	3	4 5
66.	The audit committee comprehensively reviews management's representation letters to the independent auditors (including making inquiries about any difficulties obtaining the representations).	0	1	2	3	4 5
67.	The audit committee has an effective process to evaluate the independent auditor's qualifications and performance.	0	1	2	3	4 5
68.	The audit committee pre-approves all services (audit and non-audit) provided by the independent auditor.	0	1	2	3	4 5
69.	The audit committee considers the scope of non-audit services provided by the independent auditor in determining the auditor's independence.	0	1	2	3	4 5
70.	The audit committee reviews other professional services that relate to financial reporting (e.g. consulting, legal and tax strategy services) provided by outside consultants.	0	1	2	3	4 5
71.	The audit committee monitors the process to determine that the independent auditor's partners are rotated in accordance with applicable rules.	0	1	2	3	4 5
72.	The audit committee has private executive sessions with management, internal audit and external audit, which result in candid discussion of pertinent issues.	0	1	2	3	4 5
Overall Ethics and Compliance Culture						
73.	Audit committee members are notified of communications received from agencies (e.g. governmental or regulatory) relating to areas of alleged violations or areas of non-compliance.	0	1	2	3	4 5
74.	The audit committee oversees management's procedures for enforcing the company's code of conduct.	0	1	2	3	4 5
75.	The audit committee determines that there is a senior level person designated as specifically responsible for knowing and understanding relevant legal and regulatory requirements.	0	1	2	3	4 5
76.	The audit committee oversees the process in place to address:					
	- the risks of noncompliance with applicable regulations	0	1	2	3	4 5
	- conflicts of interest	0	1	2	3	4 5
	- violations of the code of ethical conduct.	0	1	2	3	4 5
77.	The audit committee oversees the organization's whistleblower process and reviews the log of incoming calls.	0	1	2	3	4 5
78.	The audit committee oversees procedures designed to prohibit retaliation against whistleblowers.	0	1	2	3	4 5

Circle one number for each statement

Insufficient knowledge Strongly disagree Neither agree nor disagree Strongly agree

Monitoring Activities

79. An annual performance evaluation of the audit committee is conducted and the findings are presented to the full board.	0	1	2	3	4	5
80. Matters identified from the audit committee self-assessment that require follow-through are resolved.	0	1	2	3	4	5
81. The company provides the audit committee with sufficient funding to fulfill its objectives.	0	1	2	3	4	5

Overall Assessment

82. What is your overall evaluation of the performance of the audit committee? (Scale of 1 to 5, 5 being the highest)	0	1	2	3	4	5
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General Comments:

Please note other significant matters of interest with regard to the performance of the audit committee and specifically identify issues that the committee should address in the future.

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